

Message Text

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43

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SUBJECT: TARIFF REDUCTION AND IMPORT LIBERALIZATION

REF A. STATE 116091; B. MADRID 3066; C. MADRID 3143 D. GENEVA 2902

1. WHILE THE RELEVANT DECREES ARE NOT YET PUBLISHED, THE MINISTRY OF COMMERCE HAS ISSUED SOME MATERIAL THAT GIVES A CLEARER PICTURE OF THE IMPACT OF THE TARIFF REDUCTION AND IMPORT LIBERALIZATION PROGRAM APPROVED BY THE COUNCIL OF MINISTERS EARLIER THIS MONTH AND INITIALLY REPORTED IN THE REF EMBTELS. THE FOLLOWING SUMMARIZES THE OFFICIAL GOS ANALYSIS CONTAINED IN THIS PRELIMINARY INFORMATION.

2. MANUFACTURED PRODUCTS

A. LIBERALIZATION. PASSING TO THE CATEGORY OF " LIBERALIZED" ARE 94 ITEMS OUT OF A TOTAL OF 162 ITEMS PREVIOUSLY NOT " LIBERALIZED" (SUBJECT TO QUOTAS). THESE 94 ITEMS ACCOUNTED FOR 10 BILLION PESETAS OF IMPORTS IN 1972, OR

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2.25 PERCENT OF TOTAL SPANISH IMPORTS. NO TARIFF REDUCTIONS ARE TO BE APPLIED TO THE NEWLY LIBERALIZED ITEMS.

B. TARIFF REDUCTION. OF THE 3,388 TARIFF POSITIONS FOR MANUFACTURED GOODS, 618 POSITIONS (18.2 PERCENT OF THE TOTAL) HAVE TARIFF REDUCTIONS OF 20 PERCENT PROPOSED AND 1,139 (33.6 PERCENT) HAVE 10 PERCENT REDUCTIONS. 66 POSITIONS (2 PERCENT) HAVE REDUCTIONS OF OVER 20 PERCENT PROPOSED. 650 OF THE REMAINING 1565 TARIFF POSITIONS - THOSE WITH UN-CHANGED TARIFF RATES- HAVE TARIFFS AT OR BELOW THE 5.5 PERCENT RATE. THE TRADE COVERAGE FOR THE ITEMS WITH 20 PERCENT OR GREATER TARIFF REDUCTIONS IS 11.1 PERCENT OF TOTAL IMPORTS OF MANUFACTURES. THOSE ITEMS WITH A 10 PERCENT REDUCTION REPRESENT 28.7 PERCENT OF SUCH IMPORTS.

3. AGRICULTURAL PRODUCTS

OF THE TOTAL OF 543 TARIFF POSITIONS FOR THIS GROUP, 86 ARE PROPOSED FOR TARIFF REDUCTIONS OF VARYING AMOUNTS. THE FREEING OF THE IMPORTS OF FOOD PRODUCTS BY PRIVATE ENTITIES (" PRIVATIZATION") RATHER THAN BY STATE AGENCIES IS SAID TO HAVE A GREATER IMPACT THAN THE TARIFF MEASURES.

4. EFFECTS OF MEASURES

A. IN ROUND FIGURES THE AVERAGE (NON- WEIGHTED) TARIFF LEVEL AFTER THE ABOVE MEASURES AND TEMPORARY SUSPENSIONS IS SLIGHTLY OVER 15 PERCENT. THE MEASURES IMPLY AN AVERAGE TARIFF REDUCTION OF 10 PERCENT. THE EFFECT OF THIS ON THE CONSUMER PRICE INDEX IS ESTIMATED TO BE IN THE RANGE OF 0.7 TO 1.1 PERCENT. THE EFFECTS, THOUGH, WILL TAKE SEVERAL MONTHS TO BE FULLY FELT.

B. SPANISH TARIFF PROTECTION, ALTHOUGH IMPROVED SINCE 1960, IS TOO HIGH AND UNCOORDINATED. THE CURRENT EFFECTIVE TARIFF PROTECTION FOR SPANISH PRODUCTION DESTINED FOR THE DOMESTIC MARKET IS THREE TIMES HIGHER THAN THE EEC AVERAGE. THE CURRENT TARIFF REDUCTION AND IMPORT LIBERALIZATION MEASURES ARE AIMED NOT ONLY AT LOWERING THE INFLATIONARY RATE BUT ALSO AT IMPROVING THE STRUCTURE OF PROTECTION. RESOURCE ALLOCATION WILL BE MORE EFFICIENT AND LEAD TO A MORE SELECTIVE DEVELOPMENT

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WHICH IS MORE COMPETITIVE IN RELATION TO WORLD MARKETS. A HEALTHIER AND MORE COMPETITIVE PRODUCTIVE STRUCTURE WILL, IN THE MEDIUM TERM, LOWER INFLATIONARY PRESSURES.

C. IMPORT GROWTH, AS A RESULT OF THE TARIFF REDUCTIONS, WILL BE SLIGHT DUE TO THE LOW PRICE ELASTICITY OF SPANISH IMPORTS. IMPORTS WILL INCREASE IN THE NEXT MONTHS DUE TO

THE EXPANDING ECONOMY (THE INCOME ELASTICITY OF IMPORTS
IS MUCH GREATER THAN THE PRICE ELASTICITY).

5. CONCLUSION

THE MEASURES DO NOT REPRESENT A TOTAL REFORM OF THE TARIFF
SYSTEM. NEVERTHELESS THEY DO SIGNIFY AN IMPORT STEP
TOWARD A BETTER COORDINATION OF THE PROTECTIVE STRUCTURE.
THEY WILL HAVE A TWOFOLD EFFECT ON PRICES, I. E., IMPORTS
ARE CHEAPENED, AND THE MORE COMPETITIVE PRODUCTION THAT IS
INDUCED WILL FAVOR A LESS INFLATION- PRONE DEVELOPMENT.
PROJECTING INTO THE FUTURE, THE AIM IS ALSO TO PREPARE
THE SPANISH ECONOMY FOR INTEGRATION WITH EUROPE.
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